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## **Costa Rica**

## **Coffee Annual**

## **Coffee production, consumption, and trade**

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**Report Highlights:**

Based on preliminary data, Costa Rica's 2014/2015 coffee crop reached 1,397,542 60 kg bags. Production was higher than previously estimated, but remained lower than the previous crop. Lower production was primarily the result of the negative effects of coffee rust and dry weather patterns. Production is expected to decline about 5 percent in 2015/2016 based on the weaker condition of the coffee plantations and also as a result of the lower amount of rainfall expected this year.

**Executive Summary:**

Costa Rica's 2014/2015 coffee production declined 3.25 percent to 1,397,542 bags (Note: for the purpose of this report bags refers to 60 kg. bags) as compared to 1,443,757 bags during the previous crop year. Lower production was primarily the result of the continued effects of coffee rust, a fungal disease that has affected coffee plantations in the past few years. Production is forecast to decline further to 1,350,000 bags in the 2015/2016 crop year as a result of the weakness of the plants and the expected occurrence of "El Niño," which is causing lower rainfall and has resulted in scattered and delayed flowering in coffee. As a result, exports are forecast to decline to 1,100,000 bags.

**Commodities:**

Select

**Production:**

Costa Rica's coffee production continues to decline, although at a slower rate. According to data from the ICAFE (Costa Rican Coffee Institute), the 2014/2015 crop will be the smallest crop in 38 years. The crop was influenced by several factors, including coffee rust, which strongly affected the 2013/2014 crop, but continued to have negative effects on production in the present crop. The weather also had a negative effect because rainfall levels were much lower during 2014 in most of the production areas, causing damage to the productive tissue of the plants before and after the flowering period, specifically in the Occidental Central Valley and the Northern Areas. This pattern has been similar in 2015 and is causing scattered and delayed flowering. Also, in different areas, flowering can be observed but the plants have little foliage as a result of the rust and the lack of rain. On the positive side, many farmers have been able to control the rust and are better prepared for next year's crop, especially in the area of Los Santos, which is the largest production area.

As mentioned above, the weather pattern in 2015 has been similar to that of 2014 and 2013, a long dry season followed by a relatively late and mild rainy season. This has resulted in late flowering of coffee plantations. In some areas the rainy season has not become established yet. Also, the weather service is forecasting the occurrence of "El Niño," a pattern that causes lower than normal rainfall in the Central Valley and in the Pacific, and higher than normal rainfall in the Atlantic side of the country. Depending on the severity of "El Niño," our 2015/2016 forecast of 1,340,000 bags could be optimistic.

**Consumption:**

Coffee sales to the domestic market declined from 309,581 bags during the 2012/2013 marketing year to 216,549 bags in marketing year 2013/2014. The decline in local coffee sales was made up by higher imports of coffee. Lower sales of domestic coffee were the result the smaller crop. Also, depending on the price of coffee in the international markets, roasters import lower priced coffee for local consumption and export the locally produced higher quality coffee. Assuming that most of the green coffee that is being imported is for local consumption, and based on information from local roasters, consumption for 2013/2014 amounted to 375,000 bags and is expected to reach a similar level in 2014/2015. Local consumption has remained fairly stable in the last few years. Industry sources indicate these fluctuations are partly related to the way roasters buy coffee in the local market. Only recently did

roasters begin to make purchase decisions in advance of the crop to compete more effectively for the limited volume of the Costa Rican crop. Also, local roasters are taking advantage of lower price coffee available in the Central American region, which also enters the country duty free as a result of trade agreements.

Imports of coffee, which did not occur in the past, started around 2008 and reached a peak in 2011. Imports declined in 2012 and 2013 but spiked to 154,000 bags in 2014. According to data from ICAFE, the price of coffee for domestic consumption has been increasing during the last few crop years relative to the price of coffee for export. In the past, the price of coffee for domestic consumption was always lower than the price of coffee for export. This change signals that roasters have had to compete with higher prices to obtain high quality coffee locally.

According to research done by a marketing company for ICAFE in 2013, consumption per capita in Costa Rica was estimated at 4.29 kg/year. The details of the research show that people between 12 and 60 years drink 2.69 cups of coffee per day (one cup has 10.36 grams of coffee on average). However, younger drinkers (12-17) drink much less coffee than adults aged 45-60. According to the local industry, this represents an important challenge for the sector since the largest consumer group (older adults) will decline significantly within the next 15-25 years.

#### **Trade:**

Costa Rica exported 1,246,602 bags in 2013/2014. Export volume is expected to decline in 2014/2015 to 1,210,000 bags as a result of lower production. The average FOB price of exported coffee was very similar in the 2012/2013 and the 2013/2014 marketing year (\$228.53/60 kg bag and \$226.83/60 kg bag, respectively). Average export prices are expected to be lower for the 2014/2015 crop.

Most of Costa Rica's coffee was exported to the United States (52.35 percent), Belgium (14.71 percent), and Germany (4.72 percent). The United States has been the main destination for Costa Rica's coffee for several years now. Exports to the United States declined from 740,105 bags in 2012/2013 to 652,657 bags in 2013/2014. However, the percentage of coffee exported to the U.S. remained very similar in both periods. Export volume has declined during the last three marketing years, mainly as a result of declining production. Also, export patterns have changed. Costa Rica used to export a higher share to Europe and Japan in the past.

Although coffee has declined to third place in terms of the export value of agricultural products, it is still an important source of foreign exchange. Coffee exports amounted to \$278.36 million during the 2012/2013 crop year, down 9.7 percent from the previous period. Bananas and pineapples now surpass coffee in terms of export value.

#### **Production, Supply and Demand Data Statistics:**

Coffee, Green Market Begin Year Costa Rica	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	98	98	98	98	0	98
Area Harvested	93	93	93	93	0	93
Bearing Trees	360	360	360	360	0	360
Non-Bearing Trees	70	70	70	70	0	70
Total Tree Population	430	430	430	430	0	430
Beginning Stocks	190	190	105	166	0	58
Arabica Production	1,425	1,444	1,525	1,397	0	1,340
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0

<b>Total Production</b>	1,425	1,444	1,525	1,397	0	1,340
<b>Bean Imports</b>	110	154	50	80	0	110
<b>Roast &amp; Ground Imports</b>	15	0	20	0	0	0
<b>Soluble Imports</b>	25	0	25	0	0	0
<b>Total Imports</b>	150	154	95	80	0	110
<b>Total Supply</b>	1,765	1,788	1,725	1,643	0	1,508
<b>Bean Exports</b>	1,225	1,247	1,200	1,210	0	1,100
<b>Rst-Grnd Exp.</b>	10	0	10	0	0	0
<b>Soluble Exports</b>	0	0	0	0	0	0
<b>Total Exports</b>	1,235	1,247	1,210	1,210	0	1,100
<b>Rst,Ground Dom. Consum</b>	400	370	360	370	0	370
<b>Soluble Dom. Cons.</b>	25	5	25	5	0	5
<b>Domestic Use</b>	425	375	385	375	0	375
<b>Ending Stocks</b>	105	166	130	58	0	33
<b>Total Distribution</b>	1,765	1,788	1,725	1,643	0	1,508
1000 HA, MILLION TREES, 1000 60 KG BAGS						

### Export Trade Matrix, Coffee, Green

<b>Costa Rica Coffee, Green 60 kg bags</b>	
Time Period	2013/2014
Exports for:	
U.S.	652,657
Others	
Belgium	183,393
Germany	58,871
Netherlands	49,082
South Korea	41,365
Australia	36,838
Canada	31,324
Total for Others	400,873
Others not Listed	193,072
Grand Total	1,246,602

